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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 8 October 1977 CG NIDC 77/235C

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Saturday, 8 October 1977.

The NID Cable is for the purpose of informing senior US officials.

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USSR-US

International

NIGERIA: South African Boycott

25X1 [] A Nigerian official says his government is leaning toward a policy designed to discourage foreign firms active in Nigeria from doing business with South Africa.

25X1 [] An economic committee created in August is drawing up a list of firms that deal with both Nigeria and South Africa and is formulating plans to discourage trade with South Africa. The group reportedly started its work on the premise that foreign exporters will have to choose between Nigerian and South African clients.

25X1 [] Another Nigerian official declared that all ministries in the future will require foreign contractors to certify that they have no affiliation with South Africa. He said the Defense Ministry had incorporated such terms in three new contracts.

25X1 [] The committee spokesman said Head of State General Obasanjo will stipulate what is expected of foreign firms after he returns from his official visit in the US. He said that a list would be published identifying "a certain few companies" with records in South Africa that bar them from "any hope of activity in Nigeria." In a discussion with US Embassy officials, he asserted that US firms had relatively little to fear. The US is Nigeria's third largest source of imports and there is considerable anxiety in the US business community in Nigeria about the government's intentions. Any boycott action would probably most heavily affect the UK, still Lagos' leading trading partner.

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CHINA-USSR: Navigation Talks

25X1 [] China's announcement on Thursday that agreement had been reached on "some of the questions" discussed in the recent border-river navigation talks with the USSR is the first acknowledgment by the Chinese since 1969 of agreement on any issue in the talks. Agreement probably was hammered out on such technical issues as placement and maintenance of navigational markers, and channel-clearing operations. The Soviet announcement, which came yesterday, added that "new rules of navigation" were adopted. Both sides agreed to meet again for the next annual session.

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[] China's leaders apparently hope to reduce the tension that has surrounded Peking's claim to ownership of certain islands in the border rivers. Beginning in 1970, the Chinese demanded that the annual navigation talks go beyond technical matters to include territorial claims--in particular, China's claim to Soviet-occupied Hei-hsia-tzu Island opposite Khabarovsk at the confluence of the Amur and Ussuri Rivers. The navigation talks had been stalemated because of this demand, and after each annual session the Chinese declared that "no agreement" had been reached.

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[] Following the session in 1974, the Chinese went even further, rejecting additional meetings unless the Soviets accepted an agenda that included China's desire to send ships northward around the island. The Soviets refused and the talks were suspended.

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[] In June, the two sides apparently reached a separate agreement by which Chinese ships were to be permitted to move northward around Hei-hsia-tzu under carefully specified conditions. The agreement reflects an apparent concession by both sides to set aside the territorial issue of ownership of the island and return to the practice of free passage of Chinese vessels so long as they comply with Soviet navigation regulations.

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[] The Chinese leadership apparently decided that the tension over the border-river situation had been unnecessary and even dangerous, that it was counterproductive to try to force the territorial issue on the unyielding Soviets, and that these technical agreements will not erode Peking's position in its border dispute with the USSR. Chinese officials have, in fact, stated that the agreements reached so far were minor, technical matters that would not change the political struggle against the USSR.

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[] Soviet officials also have emphasized the insignificance of the agreements. []

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USSR: Wind-Energy Development

25X1 [] *The Soviets have been devoting increased attention to the development of wind power, particularly for the agricultural sector. They created a national-level organization in 1975 for the development and production of wind-energy devices and are seeking extensive US technical assistance. Soviet planning envisages a market for 10,000 wind-energy devices during the current five-year plan, with an ultimate demand for some 150,000.*

25X1 [] National-level attention to wind-power development planning is the responsibility of the Council on Power and Electrification, which is under the State Committee for Science and Technology of the USSR Council of Ministers. Development and production of wind power equipment will be promoted by the All-Union Scientific Production Association, "Tsiklon."

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[] Wind power is to play a major role in a large irrigation and land reclamation program. Wind also is under consideration as a supplemental power source for supplying potable water, including desalinizing water, and for providing energy to remote installations not served by regional electric power grids.

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[] "Tsiklon" has already developed integrated wind-energy systems for power levels from one to 100 kW. All but the 100-kW units have undergone field trials and have demonstrated satisfactory durability and reliability. The Soviets have created a regional wind-engineering laboratory and a national field test facility.

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[] The Soviets appear to be having difficulties, however, with the actual production of wind-power equipment. They envisage a demand for some 10,000 units during the current five-year-plan, but their ability to meet that demand--or the projected ultimate requirement for approximately 150,000 wind-power devices--is highly doubtful. They have acknowledged that one of the most serious problems is the supply of components, especially electrical apparatus, for the assembly of wind-power systems.

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[] In 1971, a request was made to the Ministry of the Electrical Equipment Industry to organize the production of essential equipment. As of mid-1976, however, not even partial supply of the needed electrical equipment had taken place.

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[] The urgency of the Soviet effort to develop wind energy is underscored by the recent Soviet approach to a US firm for a \$1-million study of the potential of wind-energy conversion systems for agricultural irrigation in the steppe region of southeastern European Russia. That project is expected to provide technical data on required wind-powered equipment, an estimate of the total cost of implementing the project, and a sample wind-energy conversion unit for testing in the USSR.

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[] Following completion of this contract, negotiations are to begin on proposals for construction of the wind-energy devices. The Soviets expect to build the equipment under the supervision of US technicians. They have also expressed an interest in bartering their extensive technology on small wind-energy conversion systems for US technology on large units in the range of 200 to 1,500 kW, with which they have little or no experience.

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PAPUA NEW GUINEA: Somare Visit

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[REDACTED] //Prime Minister Michael Somare will be in New York next week as head of Papua New Guinea's delegation to the UN General Assembly. During his visit, Somare will try to elicit more US interest in the South Pacific island states.//

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[REDACTED] //Memories of shared World War II experiences linger in Papua New Guinea, and it would like closer relations with the US. The young nation seeks no US aid, but would like more private investment in its rich natural resources to help it realize its export potential.//

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[REDACTED] //Nudged into independence two years ago by an Australian government anxious to divest itself of one of the two remaining UN trusteeships, Papua New Guinea has faced fewer serious strains than other newly independent countries. Domestic policies have been characterized by caution. The honest national election in July, which brought a large voter turnout, was a measure of Papua New Guinea's seasoning as a nation. Government institutions still are fragile, however, and not rooted in local tradition. One of the government's major tasks is to inspire loyalty to the nation, rather than to the many clans.//

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[REDACTED] //Separatism is a troublesome manifestation of the island nation's diversity and the long distances between populated areas. The government undercut the most serious secessionist movement--that of the copper-rich island of Bougainville--by granting it greater local rule. Concessions to Bougainville have, however, prompted demands for equal treatment from other regions.//

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[REDACTED] //The government is coming under increasing criticism for failing to meet popular economic expectations. Unemployment is high, and an urban drift has spawned a crime problem. Despite some growing diversity in the economic base, dependence on Australian aid and revenues from copper exports remains high. Foreign investment has been slow to materialize despite the country's natural resources and political stability.//

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[REDACTED] //Prime Minister Somare is generally given good marks for leadership by his countrymen. An appealing and articulate individual, his common touch and lack of pretense match the local temperament. His particular strength is an ability to effect compromises.//

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[] //Somare's coalition government made a strong showing in the national election last summer, but he faces a more assertive political opposition in his second term. A new opposition spokesman, Sir John Guise--who resigned as governor-general in February to enter politics--is as skilled in parliamentary debate as Somare and has a more commanding presence.//

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[] //Papua New Guinea's foreign interests are modest and concentrated in the South Pacific. The government has some aspirations to regional leadership but is low key in pushing them, knowing that regional cooperation could be set back by any indication that one country was trying to dominate its neighbors.//

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[] //Strongly pro-West, Papua New Guinea has turned aside repeated Chinese and Soviet efforts to establish embassies. At the UN, it has maintained a moderate stance, resisting blandishments from radical African states.//

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[] //Papua New Guinea's primary ties remain with Australia, although it is sensitive to intimations that it remains an Australian colonial adjunct. Australian assistance comprises 40 percent of the national budget, and there is a continuing, although declining, presence of Australian Government officers.//

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[] //Australia has stalled discussions of the sea boundary between the two countries, now drawn to within a few hundred yards of the Papua New Guinean coast, and this has aroused nationalist rhetoric in Port Moresby. It could damage the amicable relationship between the two countries.

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SPAIN: Meeting of Party Leaders

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[] *Spanish Prime Minister Suarez has invited parliamentary party leaders to meet with him this weekend to discuss urgent economic measures. The opposition parties have accepted, but are concerned that discussing these issues in the Prime Minister's office rather than in the Cortes puts them at a disadvantage. Nevertheless, the exchange of views may lead to some progress in dealing with pressing economic problems.*

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[] Suarez has been criticized in recent weeks for his delay in attacking the country's poor economic situation. The government has been working on specific economic measures to be presented to the Cortes this month, and Suarez will probably unveil the program this weekend.

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[] Because wage restraints are an important part of the effort to stop the inflationary spiral, the government needs support for its austerity measures from the Socialist Workers Party and the Communist Party. In return, these parties want price controls, sweeping tax reforms and greater freedom for organized labor.

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[] Socialist leader Gonzalez, while interested in establishing a consensus, reportedly told Suarez that his party does not like the idea of the meeting. He apparently would prefer to negotiate bilaterally with the government and then hammer out final agreement in sessions of the Cortes.

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[] The Socialists evidently believe that, as the major opposition party, they should be the government's principal interlocutors, and that the other parties should receive only marginal attention. Gonzalez, however, could not afford to turn down Suarez' invitation.

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[] The Socialists have already made clear publicly that they will be pushing for additional meetings with government leaders and that they intend to introduce bills of their own in the Cortes.

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BRIEFS

USSR-US

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[] //At the Thursday session of the US-Soviet talks in Geneva on new weapons of mass destruction, the Soviets proposed that neutron weapons be included in the definition of radiological weapons that are to be banned. Soviet media commentaries have made such a linkage in the past, but this was the first time the Soviets had made such a proposal in an arms control forum. The previous understanding had been that nuclear explosive devices would be specifically excluded from any agreement to prohibit radiological weapons.//

25X1 [] //The Soviet proposal was firmly rejected, and the meeting ended on a cool note. The next session is scheduled to be held on Tuesday. []

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International

25X1 [] World sugar exporters and importers reached an accord on a new international sugar agreement in Geneva yesterday. The agreement will become effective on 1 January 1978 if ratified by the participating governments. The pact is designed to stabilize the highly volatile sugar market and provide price relief for sugar producers.

25X1 [] Under the new agreement, sugar prices will be kept in the range of 11 to 21 cents per pound by the use of export quotas and buffer stocks. Sugar prices are now below eight cents per pound.

25X1 [] The European Community is not a party to the agreement, but it can join in at a later date. The Dominican Republic, another large exporter, has indicated it will not join in the agreement. Most other major importers and exporters will probably support the pact. []

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